

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY COPENHAGEN

USMISSION OECD PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY BERN

AMEMBASSY STOCKHOLM

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY MADRID

AMEMBASSY ANKARA

AMEMBASSY WELLINGTON

AMEMBASSY OSLO

USMISSION EC BRUSSELS

INFO AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: ENRG

SUBJECT: STATEMENT BY SECRETARY KISSINGER TO ENERGY
SUBCOMMITTEE OF JOINT ECONOMIC COMMITTEE ON SEPTEMBER 19

1. FOLLOWING IS TEXT OF STATEMENT MADE ON SEPTEMBER 19 BY
SECRETARY KISSINGER TO ENERGY SUBCOMMITTEE (CHAIRER BY
SENATOR EDWARD KENNEDY) OF JOINT ECONOMIC COMMITTEE. IEA
POSTS PLEASE PASS THE TEXT TO APPROPRIATE OFFICIALS.
BRUSSELS PLEASE PASS TO DAVIGNON. OECD PARIS PLEASE PASS
TO LANTKZE.

TEXT

I WELCOME THIS OPPORTUNITY TO MEET WITH YOU TODAY
TO DISCUSS US INTERNATIONAL ENERGY POLICY.

THE EVENTS SET IN MOTION BY THE OCTOBER 1973 WAR
EXPOSED THE DANGEROUS VULNERABILITY WE HAD INCURRED AS A
RESULT OF OUR GROWING DEPENDENCE ON IMPORTED OIL. THE
OIL EMBARGO AND THE SERIES OF MASSIVE OIL PRICE INCREASES
WHICH FOLLOWED UNDERSCORED THE DEGREE TO WHICH WE HAD LOST
CONTROL OVER THE PRICE OF A CENTRAL ELEMENT OF OUR ECONOMIC
SYSTEM. WE ALSO FOUND THAT OUR OWN ECONOMIC WELL BEING

AND SECURITY WERE THREATENED BY THE ENERGY VULNERABILITY
OF OUR ALLIES AND THAT THE ESCALATING PRICE OF ENERGY HAD
WREAKED HAVOC ON THE PROGRAMS OF DEVELOPING COUNTRIES.

OVER THE PAST TWO YEARS OUR OBJECTIVE HAS BEEN
TO DEVELOP A COMPREHENSIVE STRATEGY TO END OUR DOMESTIC
AND INTERNATIONAL ENERGY VULNERABILITY. OUR GOAL HAS
BEEN TO BUILD A SERIES OF POLICIES WHICH WOULD:

-- PROTECT US AGAINST SHORT-TERM DANGERS SUCH
AS EMBARGOES AND THE DESTABILIZING MOVEMENTS OF ASSETS
HELD BY OIL COUNTRIES;

-- PROVIDE SUPPORT FOR DEVELOPING COUNTRIES HARD
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HIT BY HIGH OIL PRICES;

-- MAKE POSSIBLE A RETURN TO NON-INFLATIONARY
GROWTH; AND

-- CREATE THE POLITICAL AND INSTITUTIONAL CONDIT-
IONS FOR A PRODUCTIVE DIALOGUE BETWEEN CONSUMER AND PRO-
DUCER COUNTRIES.

WE HAVE MADE SUBSTANTIAL PROGRESS IN MEETING THE IMMEDIATE CRISIS. WE AND OUR PARTNERS IN THE INTERNATIONAL ENERGY AGENCY HAVE JOINED IN A PLAN FOR MUTUAL ASSISTANCE IN THE EVENT OF A FUTURE EMBARGO.

IN APRIL WE AND OTHER INDUSTRIALIZED COUNTRIES AGREED ON A DOL. 25 BILLION SUPPORT FUND TO OFFSET ABRUPT OR PREDATORY SHIFTS OF FUNDS BY OPEC AS WELL AS BALANCE OF PAYMENTS PROBLEMS.

ALSO AT OUR INITIATIVE, THE INTERNATIONAL MONETARY FUND WILL CREATE A SPECIAL TRUST FUND FOR CONCESSIONAL LOANS TO DEVELOPING COUNTRIES HIT HARDEST BY OIL PRICE INCREASES.

WE HAVE ALSO COORDINATED CLOSELY WITH GERMANY, FRANCE, JAPAN AND BRITAIN TO RESTORE SUSTAINED ECONOMIC EXPANSION IN THE INDUSTRIAL WORLD.

DESPITE THIS PROGRESS MUCH REMAINS TO BE DONE IF WE ARE TO OVERCOME THE IMPACT OF THE ENERGY CRISIS.

U.S. DOMESTIC PROGRAM

HERE AT HOME WE MUST MOVE MORE RAPIDLY IN REDUCING OUR DEPENDENCE ON IMPORTED OIL. OUR PRESENT VULNERABILITY WILL CONTINUE, INDEED INCREASE, UNLESS WE INTENSIFY OUR CONSERVATION EFFORTS AND PROMPTLY INITIATE THOSE PROGRAMS AND POLICY MEASURES WHICH WILL ENSURE THE AVAILABILITY OF MAJOR AMOUNTS OF NEW ENERGY BY THE END OF THIS DECADE AND INTO THE 1980'S.

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FOR THE SHORT TERM WE LOOK TO CONSERVATION AS THE PRIMARY MEANS OF REDUCING OUR IMPORT DEPENDENCE. IN THIS REGARD THE DECONTROL OF DOMESTIC OIL PRICES IS THE SINGLE MOST IMPORTANT CONSERVATION MEASURE WE CAN TAKE.

BUT THERE SHOULD ALSO BE OTHER ELEMENTS IN OUR DOMESTIC ENERGY POLICY INCLUDING THE DEREGULATION OF NATURAL GAS, AS WELL AS THE ACCELERATED EXPLORATION OF POTENTIAL RESOURCES IN ALASKA AND ON THE OUTER CONTINENTAL SHELF.

CONSUMER COOPERATION

NOR CAN WE SUCCEED ALONE IN THIS EFFORT. WE MUST WORK CLOSELY WITH OTHER MAJOR CONSUMING COUNTRIES IF WE

EXPECT TO END THE MONOPOLY POWER OF THE PRODUCER COUNTRIES
IN UNILATERALLY SETTING OIL PRICES.

WE AND OUR IEA PARTNERS ARE NOW DEVELOPING A COMPRE-
HENSIVE PROGRAM OF LONG TERM COOPERATION. IN THE CONSER-
VATION AREA WE WILL SET OVERALL TARGETS BASED ON
EQUITABLE BURDEN SHARING AMONG MEMBERS AND WE WILL VERIFY
EACH OTHERS' PERFORMANCE.

TO ACCELERATE THE DEVELOPMENT OF NEW ENERGY IEA
MEMBERS MUST POOL THEIR RESOURCES AND EXPAND RESREACH
AND DEVELOPMENT EFFORTS. TO COVER THE MASSIVE DEVELOP-
MENT COSTS IEA COUNTRIES MUST WORK TOGETHER TO ENSURE
THAT THE NECESSARY FINANCIAL RESOURCES WILL BE AVAILABLE.

IT IS ALSO IMPORTANT THAT WE ESTABLISH A COMMON
BASIS FOR DEVELOPING ALTERNATIVE SUPPLIES BY AGREEING
THAT NONE OF THE IEA COUNTRIES WILL PERMIT IMPORTED OIL
TO BE SOLD IN OUR ECONOMIES BELOW A CERTAIN MINIMUM
PRICE LEVEL. THE OBJECT OF THIS ELEMENT OF CONSUMER
COUNTRY POLICY IS TO ASSURE THAT OUR EFFORTS ARE NOT
DISRUPTED BY PREDATORY PRICING BY OPEC AND TO PROTECT

THOSE COUNTRIES THAT INVEST HEAVILY IN HIGHER COST
ENERGY FROM BEING PUT AT A COMPETITIVE DISADVANTAGE IF
THE OIL PRODUCERS ENGAGE IN PREDATORY PRICING.
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THESE EFFORTS BY THE US AND ITS IEA PARTNERS ARE
EXTREMELY IMPORTANT FOR WITHOUT SERIOUS JOINT EFFORT
BY THE CONSUMER COUNTRIES OUR CREDIBILITY WILL BE
QUESTIONED AND NO BALANCED DIALOGUE WITH PRODUCER COUNTRIES
WILL BE POSSIBLE.

WE SEEK SUCH A DIALOGUE WITH THE PRODUCING COUNTRIES,
ONE THAT WILL UNDERSCORE OUR MUTUAL INTERESTS RATHER
THAN OUR DIFFERENCES.

IF WE AND OUR IEA PARTNERS SEEK RELIABLE ACCESS
TO OIL SUPPLIES AT STABLE PRICES THE PRODUCING COUNTRIES
ALSO SEEK SECURE OUTLETS FOR THEIR GROWING ASSETS AND
GREATER PARTICIPATION IN THE WORLD FINANCIAL AND ECONOMIC
SYSTEM.

WE HAVE WORKED HARD TO LAUNCH A PRODUCTIVE DIALOGUE
ON ENERGY, RAW MATERIALS, DEVELOPMENT AND FINANCE. WE
LOOK FORWARD TO THE MEETINGS ON THESE SUBJECTS WHICH
WILL BEGIN NEXT MONTH. THEY OFFER AN OPPORTUNITY FOR
CONSUMER AND PRODUCER COUNTRIES ALIKE TO DEMONSTRATE

THEIR ABILITY TO CREATE NEW TIES AND RELATIONSHIPS.

A MAJOR TEST OF THE PRODUCER COUNTRY COMMITMENT TO A MORE POSITIVE RELATIONSHIP WILL OCCUR IN THE NEXT FEW DAYS WHEN OPEC COUNTRIES MEET TO DECIDE WHETHER OR NOT TO EXTEND THEIR OWN MORATORIUM ON OIL PRICE INCREASES. AFTER THE DRAMATIC PRICE INCREASES OF THE PAST TWO YEARS ANOTHER OIL PRICE RISE CAN ONLY ENDANGER THE POSITIVE DIALOGUE WHICH WE ALL SEEK. IT WILL AFFECT THE EXPANSION-ARY POLICIES OF INDUSTRIALIZED COUNTRIES. IT WILL FURTHER WEAKEN THE ECONOMIES OF THE DEVELOPING COUNTRIES, SO MANY OF WHICH ARE ALREADY IN PRECARIOUS CONDITION. IT COULD ALSO RESULT IN THE STAGNATION OF OPEC OIL EXPORTS AND LEAD TO DEMANDS FOR YET HIGHER OIL PRICES. SUCH A SERIES OF EVENTS IS IN THE INTEREST OF NO ONE AND CAN ONLY JEOPARDIZE OUR HOPES FOR A NEW AND CONSTRUCTIVE RELATIONSHIP.

REGARDLESS OF THE DECISIONS OF THE OIL PRODUCERS,
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THE US MUST REGAIN CONTROL OF ITS OWN ECONOMIC FUTURE. OUR LEADERSHIP ROLE IN THE WORLD DEMANDS THAT WE DEMONSTRATE OUR NATIONAL RESOLVE TO OVERCOME THE PROBLEMS

WE FACE AND OUR DETERMINATION NOT TO ENTRUST OUR POLITICAL AND ECONOMIC DESTINY TO OTHERS. END TEXT. ROBINSON

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